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CENTRAL DISTRICT OF CALIFORNIA
BY ____________ DEPUTY

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

PETER L. JENSEN AND THOMAS C. TEKULVE, JR.,

Defendants.

Case No. CV11-05316 R(AGRx)

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") alleges:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e), 21A(a)(1)(A) and 27(a) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e), 78u-1(a)(1)(A) & 78aa(a). Defendants have, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices and courses of business alleged in this Complaint.

2. Venue is proper in this district pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa(a), because the defendants reside in and/or transact business in this district and certain of the transactions, practices, and courses of business constituting violations of the federal securities laws occurred within this district.

SUMMARY

3. This case involves a fraudulent scheme by the senior management of Basin Water, Inc. to overstate the company's financial results for each of its quarters beginning with its initial quarter as a public company (the first quarter of its fiscal year 2006 ended March 31, 2006) through its fiscal year 2007 ended December 31, 2007. The company's senior management responsible for the fraud were its founder, Chairman of the Board and Chief Executive Officer, Defendant Peter L. Jensen, and its Chief Financial Officer, Defendant Thomas C. Tekulve, Jr. The Defendants materially overstated and caused Basin to materially overstate its revenues by improperly recognizing and reporting substantial amounts of revenue from the company's purported sales of water treatment systems. The purported revenue failed to meet the most basic Generally Accepted Accounting Principles ("GAAP") for recognizing revenue. In particular, as explained below, several sales were contingent on the customer's acceptance of the treatment system or resale of the system to an ultimate customer; several sales did not occur in the quarter for which revenue was recognized; several sales were recorded even though the company never delivered the treatment system; and in several sales, collectability was not reasonably assured and the company in fact did not receive the required payments from the customer. Finally, in 2007, the Defendants caused the creation of two special purpose entities to which Basin purportedly sold systems in sham transactions that had no economic substance and which involved Basin round-tripping its own cash to purchase the revenue. The Defendants materially overstated Basin's 2006 revenues by 13% and its 2007 revenues by 74%

as well as materially overstating Basin's revenues for interim quarterly periods. On August 11, 2008, the company announced it was restating its financial results for these periods, which restatement was issued on February 10, 2009.

4. Prior to the August 11, 2008, announcement that Basin would restate, between December 12, 2006 and August 7, 2008, on the basis of material nonpublic information that the company's financial results were being and had been materially overstated, Defendant Peter L. Jensen engaged in insider trading, selling 1,660,943 shares of company stock, gaining and realizing profits of $9,173,075. Additionally, he made charitable donations of 290,000 shares of company stock, taking a total of $763,345 in tax deductions. All of these sales of stock and charitable donations were made within twelve months of Basin filing a Form 10-Q or Form 10-K which was subsequently restated due to the material noncompliance of Basin, as a result of misconduct, with financial reporting requirements under the securities laws, as alleged below.

5. By engaging in this conduct, the Defendants violated the antifraud provisions of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a); the antifraud provisions of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5, both as primary violators, and as control persons pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a); the books and records provisions of Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), and Rule 13b2-1 thereunder, 17 C.F.R. § 240.13b2-1, and the officer certification provisions of Rule 13a-14, 17 C.F.R. § 240.13a-14. Defendant Thomas C. Tekulve, Jr. also violated the prohibition against making misrepresentations to auditors, Rule 13b2-2, 17 C.F.R. § 240.13b2-2. The Defendants aided and abetted the company's violations of the issuer reporting provisions of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1 and 13a-13 thereunder, 17 C.F.R. §§ 240.12b-20, 240.13a-1 & 240.13a-13, and are also liable to the same extent as Basin because they were its

control persons. Finally, the Defendants failed to comply with the reimbursement provisions of Section 304(a) of the Sarbanes-Oxley Act of 2002, 15 U.S.C. § 7243(a). The Commission seeks permanent injunctions prohibiting future violations, disgorgement of ill-gotten gains together with prejudgment interest thereon, civil penalties, officer and director bars, and reimbursement of bonuses and any other incentive-based or equity-based compensation and any profits realized from the sale of company securities for the twelve-month period following each of the false filings with the Commission.

THE DEFENDANTS

6. **Peter L. Jensen ("Jensen")** was the founder, chief executive officer and chairman of the board of Basin Water, Inc. from December 1999 until February 19, 2008, when he resigned as CEO. Jensen continued to be a member of the board of directors, however, until March 11, 2008. Jensen received a masters' degree in Chemical Engineering from the Massachusetts Institute of Technology in 1974. Jensen resides in San Diego, California.

7. **Thomas C.Tekulve, Jr. ("Tekulve")** was the chief financial officer of Basin Water, Inc. from September 2004 to May 2008 and Vice President of Business Development from June 2008, until he resigned effective October 8, 2008. As CFO, Tekulve was responsible for creating the financial structure and organization within Basin. Prior to his tenure at Basin, Tekulve was an officer of two other public companies: from 1999 to 2004 he was the VP Finance of Southwest Water, Inc., and from 1994 to 1998 he was the CFO of Safeguard Health Enterprises. Tekulve was licensed by the State of Oregon as a certified public accountant in 1978. During the relevant period, Tekulve's CPA license was on inactive status. Tekulve earned an MBA degree in 1987. Tekulve resides in Yorba Linda, California.

RELATED ENTITY

8. **Basin Water, Inc. ("Basin")** was a Delaware corporation

headquartered in Rancho Cucamonga, California. During the relevant period, Basin was engaged in the business of designing, manufacturing and servicing groundwater treatment systems. It was founded by Jensen on or about December 1999. Basin became a public company on May 11, 2006, when its stock was initially registered with the Commission pursuant to Section 12(g) of the Exchange Act, 15 U.S.C. § 78*l*(g). Basin's stock traded on the Nasdaq National Market until July 31, 2006, when its common stock became registered pursuant to Section 12(b) of the Exchange Act, 15 U.S.C. § 78*l*(b), and began trading on the Nasdaq Global Market. On July 16, 2009, Basin filed a bankruptcy petition under Chapter 11 of the Bankruptcy Code. On August 5, 2009, the Nasdaq delisted Basin's stock effective August 17, 2009. Basin's stock is presently quoted on OTC Link (formerly known as the "Pink Sheets").

THE FRAUDULENT SCHEME

9. Beginning with Basin's very first public filing with the Commission on June 26, 2006, for its quarter ended March 31, 2006 -- its first quarter 2006 Form 10-Q -- the Defendants embarked on a scheme to fraudulently inflate Basin's revenues. As set forth with particularity below, the Defendants caused material overstatements in almost all of Basin's quarterly filings and both of its annual filings for its fiscal years 2006 and 2007. On February 10, 2009, after each of the defendants had resigned from their positions as CEO and CFO, respectively, Basin restated its financial results, filing amended Forms 10-Q and 10-K for each of the relevant periods. The Defendants' fraudulent acts caused the following overstatements of Basin's financial results:

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Basin's Overstated Financial Results – 2006

	Q1 2006	Year-To-Date Q2 2006	Q3 2006	Year-To-Date Q3 2006	FY 2006
Reported System Sales	$3,091,000	$7,258,000	$3,936,000	$11,194,000	$13,861,000
Adjusted System Sales	$1,591,000	$5,908,000	$3,484,533	$9,392,533	$11,930,283
Percentage Overstatement of System Sales	94%	23%	13%	19%	16%
Reported Total Revenue	$3,703,000	$8,666,000	$4,846,000	$13,512,000	$17,114,000
Adjusted Total Revenue	$2,203,000	$7,316,000	$4,394,533	$11,710,533	$15,183,283
Percentage Overstatement of Total Revenue	68%	18%	10%	15%	13%
Reported Gross Profit	$1,147,000	$2,545,000	$309,000	$2,805,000	$(2,992,000)
Adjusted Gross Profit	$277,479	$1,762,431	$85,765	$1,231,765	$(3,789,492)
Percentage Overstatement of Gross Profit	313%	44%	260%	128%	21%

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Basin's Overstated Financial Results – 2007

	Q2 2007	YTD Q2 2007	Q3 2007	YTD Q3 2007	Q4 2007	FY 2007
Reported System Sales	$5,199,0000	$6,128,000	$3,773,000	$9,901,000	$3,576,000	$13,477,000
Adjusted System Sales	$1,234,746	$2,163,746	$1,852,490	$4,016,236	$1,474,064	$5,490,297
Percentage Overstatement of System Sales	321%	183%	104%	147%	143%	145%
Reported Total Revenue	$6,414,000	$8,021,000	$5,346,000	$13,367,000	$5,417,000	$18,784,000
Adjusted Total Revenue	$2,449,746	$4,056,746	$3,425,490	$7,482,236	$3,315,064	$10,797,297
Percentage Overstatement of Total Revenue	162%	98%	56%	79%	63%	74%
Reported Gross Profit	$25,000	$(262,000)	$(6,779,000)	$(7,041,000)	$894,000	$(6,147,000)
Adjusted Gross Profit	$(515,161)	$(802,161)	$(6,995,399)	$(7,797,560)	$183,706	$(7,613,857)
Percentage Overstatement Gross Profit	105%	67%	3%	10%	387%	19%

10. During the period when he was causing Basin to fraudulently inflate its revenues, beginning on December 12, 2006, and continuing through August 7, 2008, prior to Basin's August 11, 2008, announcement that it would restate its

2006 and 2007 financial statements, on the basis of material nonpublic information regarding Basin's true financial condition, and in breach of his duty of trust or confidence owed directly, indirectly or derivatively to Basin and its shareholders, Jensen sold 1,660,943 shares of Basin stock and gifted 290,000 more to his *alma mater*, MIT, gaining and realizing profits of $9,173,075 and taking charitable tax deductions of $763,345 as alleged below. Jensen has not reimbursed Basin for any of the profits realized from these sales and gifts of Basin securities.

11. During the period when they were causing Basin to fraudulently inflate its revenues and for the twelve-month period following each of the false filings with the Commission, Jensen received $476,894 and Tekulve received $479,759 in salary, and Jensen received $210,385 and Tekulve received $150,000 in bonuses, some or all of which constituted incentive-based compensation. Additionally, during the same period, the Defendants each received equity-based compensation: Jensen received approximately $135,281 in Basin stock; and Tekulve received approximately $79,921 in Basin stock and $407,617 in Basin stock options. Neither Jensen nor Tekulve has ever reimbursed Basin for any of this incentive-based or equity-based compensation.

A. <u>The Defendants Materially Overstate Basin's Q1 2006 Financial Results By Recognizing Revenue On A Sale That Had Not Been Finalized, And For Which $1.35 Million Was Uncollectable</u>

12. In or about December 2005, Jensen contacted Martin Benowitz ("Benowitz"), an attorney he knew represented foreign investors, proposing that an investor group purchase two Basin units in exchange for money and five percent of the shares of BionBasin, Inc. ("BION"), a wholly owned subsidiary of Basin. Subsequently, on or about December 22, 2005, Tekulve, pursuant to Jensen's instructions, sent to Benowitz by fax a letter "Agreement for purchase of two Basin Water ion exchange units," copying Jensen by email. Jensen then sent an email to Benowitz instructing him to redline his comments and return the letter to Tekulve.

After Benowitz did so on December 26, Tekulve emailed him a revised version, copying Jensen, on December 28. Benowitz then signed the letter as the "legal representative" of Opus Trust, Inc., an investor group purportedly based in the Caribbean island of Nevis, and faxed it to Tekulve on or about December 29, 2005 (the "Opus Letter"). The Opus Letter had a designated space for Jensen to sign on behalf of Basin in his capacity as Basin's president, which Jensen never signed.

13. The Opus Letter provided, among other things, that:

a. The agreement was between Basin and Opus;

b. The two systems to be sold were units located in the East Valley Water District;

c. In addition to the $150,000 down payment for the systems, which Opus paid by checks transmitted to Tekulve on or about December 29, 2005, Opus was required to pay $1.35 million balance within two years, and Basin would grant Opus Trust 5% or 500,000 shares of stock in its wholly-owned subsidiary, BION, upon Opus Trust's final payment for the units; and

d. A "definitive purchase agreement" would be prepared by the seller, Basin, and was subject to review by Opus and its counsel.

14. On December 29, 2005, after receiving the signed Opus Letter from Benowitz as well as an email from Benowitz stating that he would be sending the $150,000 down payment by Federal Express to Basin that evening, Tekulve sent an email to Benowitz stating: "Marty, That's Great! Next week I'll get going on the definitive agreement. I hope to have a draft to you by the first part of the week of January 9th."

15. In negotiating the agreement with Jensen and Tekulve in 2005, Benowitz made clear that he wanted an extension of the agreement in case there was a delay in BION going public. Jensen and Tekulve assured Benowitz that it should

never reach the point of Opus Trust having to come up with the $1,350,000 balance because BION would either be a public company or Basin would have sold it.

16. On March 3, 2006, Tekulve sent an email to Jensen attaching the Opus Letter signed by Benowitz, stating:

> Attached is the Benowitz letter.
>
> I don't think you or I ever signed it!
>
> This copy has the comments I've made – several items I'd like to change/clarify with him, since the December date is not critical. But we'll need this one in Q1 (Obviously).

17. Over three months later, after the close of Basin's first quarter on March 31, 2006, on or about June 16, Tekulve sent Jensen an email attaching a redline version of a draft Unit Purchase Agreement with Opus Trust, pointing out, among other things, that the length of time for Opus Trust to make the final payment had been extended to three years, that the units Opus Trust would own "as of March 30" would be certain units in Salinas, and that the BION stock would have to be issued immediately and escrowed, rather than being issued after Opus made its final payment, because to do otherwise would "reduce today's revenues."

18. On June 20, 2006, Tekulve sent to Benowitz a redline version of the draft Unit Purchase Agreement, which identified units in Salinas as the units to be sold to Opus Trust, which differed from the Salinas units identified in the version he sent to Jensen on June 16.

19. On or about June 22, 2006, Jensen signed and initialed a "Unit Purchase Agreement" ("Opus Agreement") purporting to be dated "as of March 30, 2006," on behalf of BION.

20. On or about June 22, 2006, Tekulve emailed to Benowitz the Opus Agreement, noting in his diary "I finalized the Benowitz deal & sent email off, [Benowitz] will sign in am." On or about June 23, 2006, Benowitz signed and initialed the Opus Agreement on behalf of Opus Trust, and caused it to be faxed to Tekulve.

21. The terms of the Opus Agreement differ from those in the Opus letter in that:

a. The Agreement was between BION, rather than Basin, and Opus Trust;

b. Different systems, located in Salinas, California, rather than the East Valley Water District, had been substituted for the units that were the subject of the Opus Letter;

c. The Agreement contained a liquidated damages clause, limiting Basin's right to recover to payments already made by Opus Trust should Opus Trust default on its obligation to purchase the units, which payments totaled $150,000 at the time the Agreement was executed; and

d. The balance would be paid by Opus Trust in three years, rather than two years, and that that period could be extended by two years upon the request of Opus Trust and payment of an additional $250,000 by Opus Trust.

22. Notwithstanding their understanding with Benowitz that Opus Trust would never have to pay the remaining $1,350,000 of the purchase price for the two water systems, and the lack of a definitive agreement reflecting the understanding of the parties, Jensen and Tekulve caused Basin to recognize $1,500,000 in revenue from a purported sale to Opus Trust based on the Opus Letter. In fact, as of March 30, 2006, no definitive purchase agreement had been prepared or signed. Nor had Basin signed the Opus Letter. The revenue recognized on the Opus Trust transaction constituted 41% of the company's quarterly revenues.

23. On June 23, 2006, one day after completing the backdated Opus Agreement, Jensen and Tekulve each signed a letter to Singer Lewak Greenbaum & Goldstein, LLP ("SingerLewak"), Basin's auditors. Jensen and Tekulve

confirmed "that we are responsible for the fair presentation of the interim financial information in conformity with accounting principles generally accepted in the United States of America and Rule 10-01(a)-(c) of Regulation S-X." They further represented in this Management Representation Letter, among other things, that:

a. The interim financial information is presented in accordance with GAAP applicable to interim financial information applied on an basis substantially consistent with the same period in the prior year, the immediately preceding quarter and the prior fiscal year;

b. They had made available to SingerLewak all financial records and related data;

c. They had no knowledge of any fraud or suspected fraud affecting the Company involving management;

d. There are no material transactions that have not been properly recorded in the accounting records underlying the interim financial information;

e. The Company has complied with all aspects of contractual agreements that would have a material effect on the interim financial information in the event of noncompliance; and

f. No events or transactions other than those disclosed in the interim financial information have occurred subsequent to March 31, 2006 that would require adjustment to, or disclosure in, the interim financial information.

Each of these representations was false because recognition of revenue from the Opus Trust transaction did not comply with GAAP, and these revenues were material to Basin's financial statements.

24. Specifically, recognizing $1.5 million in revenue from the purported sale to Opus Trust for the quarter ended March 31, 2006, violated the GAAP

requirements for recognizing revenue because, as Commission Staff Accounting Bulletin ("SAB") 104 provides, among other provisions, for revenue to be recognized: (1) persuasive evidence of an arrangement must exist; and (2) reasonable assurance of collectability is required (citing Accounting Research Bulletin ("ARB") 43). Here, there was no persuasive evidence of an arrangement as of March 31, 2006, when revenue was recognized because no definitive purchase agreement had been prepared; the parties to the final agreement, executed in June 2006, were different, and the terms of the June 2006 agreement were materially different because different systems were being sold to Opus, a liquidated damages clause had been inserted into the agreement, and the term for payment to Basin had been extended from two years to three years. Additionally, collectability was not reasonably assured because of the liquidated damages clause, the three year payment period, and Jensen's and Tekulve's utter failure to conduct any due diligence to determine Opus Trust's ability to pay. In fact, Opus Trust never did make any payments for the systems other than the $150,000 down payment in made in December 2005.

25. On June 26, 2006, Tekulve caused Basin to issue its first quarter earnings release at about 5:00 a.m. Pacific Time. Tekulve caused it to be filed with the Commission on Form 8-K and signed the filing. The headline on the press release was "**Revenues Increase to $3.7 Million, Gross Profit Increase [sic] to $1.1 Million**." In the press release, it is represented that:

> Revenues increased 311% to $3.7 million for the first quarter of 2006 as compared to $0.9 million for the same period of 2005. Revenues from both system sales and contract revenues continue to grow compared to the prior year quarter.
>
> Gross profit increased for the quarter by 267% to $1.1 million compared to $0.3 million for 2005 as a result of the increased volume

in system sales. Gross profit as a percentage of revenues was 31%. . . Additionally, Jensen is quoted in the press release as saying: "[W]e are pleased with our first quarter results. . . . We anticipate that our revenues will continue to grow during the next several quarters. . . ." These representations were materially false and misleading because $1.5 million -- over half -- of Basin's system sales revenues consisted of the improperly recognized revenue from the Opus Trust transaction. The press release also stated that the company would provide more detail regarding its first quarter results in a conference call and web cast to be held at 1:30 p.m. Pacific Time that same day. Tekulve had prepared the script for that call earlier that day.

26. Shortly thereafter that same day, Jensen and Tekulve caused Basin to file with the Commission its first quarterly report on Form 10-Q, for its first quarter 2006 ("Q1 2006") ended March 31, 2006. Jensen read the Form 10-Q before it was filed, and Tekulve signed the Form 10-Q as Basin's CFO. Among other results, Basin's Form 10-Q reported system sales of $3,091,000 and total revenues of $3,703,000. These system sales and revenues included the $1,500,000 in revenue purportedly earned from a sale of systems to Opus Trust. Additionally, the Form 10-Q states that its revenue increase "by $2.8 million, or 313%" from its first quarter of the prior year "occurred primarily as a result of growth in sales of our groundwater treatment systems." Basin's Form 10-Q does not disclose that 41% of its purported revenues and 76% of its profits were derived from a purported sale to a single customer for which revenues were not in fact properly recognized.

27. On or about June 26, 2006, Jensen and Tekulve each certified, among other things, with regard to the Form 10-Q, that:

a. He had reviewed the Form 10-Q;

b. Based on his knowledge, the Form 10-Q did not contain any untrue statement of material fact or omit to state a material fact

necessary to make the statements made, in light of the circumstances under which they were made, not misleading with respect to the period covered by the report;

c. Based on his knowledge, the financial statements, and other financial information included in the report fairly presented in all material respects the financial condition, results of operations and cash flows of Basin as of and for the periods presented in the report; and

d. He had disclosed to Basin's auditors and the audit committee of Basin's Board of Directors any fraud that involved company management.

These certifications were false in that the Form 10-Q contained material misrepresentations and omissions of material fact regarding Basin's quarterly revenues, and did not fairly represent Basin's financial condition, and Jensen and Tekulve had not disclosed to either Basin's auditors or its audit committee their fraud in causing the improper revenue recognition.

B. Basin Files A Securities Registration Statement Incorporating By Reference Future Annual And Quarterly Filings

28. On May 15, 2006, Jensen and Tekulve signed, and caused Basin to file, a registration statement on Form S-8 ("S-8 Registration Statement") with the Commission registering the offering of approximately 6.7 million shares of its common stock, which offering included any shares issuable pursuant to Basin's equity incentive, stock option, and employee stock purchase plans. The S-8 Registration Statement incorporated by reference all documents to be filed by Basin pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act, 15 U.S.C. §§ 78m(a), 78m(c), 78n or 78o(d), after the date of the S-8 Registration Statement and prior to the filing of a post-effective amendment indicating that all securities offered had been sold or deregistering the securities then remaining

unsold. A document incorporated by reference was to become and became a part of the S-8 Registration Statement from the date that the document was filed with the Commission, including the materially false and misleading Forms 8-K, 10-Q, and 10-K identified in this Complaint.

C. <u>The Defendants Materially Overstate Basin's Year-To-Date Financial Results In Its Second Quarter 2006 Form 10-Q</u>

29. Early the morning of August 14, 2006, Tekulve caused Basin to issue its second quarter 2006 earnings release. Tekulve caused it to be filed with the Commission on Form 8-K and signed the filing. The headline on the press release stated in relevant part: "**Quarterly Revenues Increase to $5 Million, Gross Profit to $1.4 Million**." In the press release, it is represented that:

> Revenues increased by 200% to $8.7 million for the six months ended June 30, 2006 compared to $2.9 million for the same period in 2005. Revenue from . . . system sales. . . continue to increase compared to the prior year as a result of growth in placement of our groundwater treatment systems.
>
> Gross profit for the six months ended June 30, 2006 was $2.5 million compared to $0.9 million for the same period in 2005.

Jensen is quoted in the release as saying "We are pleased with our second quarter results which reflect continued growth in all areas of our business. . . ." The representations in the release were false and misleading because they did not disclose that $1.5 million of the $8.7 million in revenues for the first six months of 2006 was the revenue that was improperly recognized from the Opus Trust transaction.

30. Also on August 14, 2006, Jensen and Tekulve each signed a letter to SingerLewak, Basin's auditors. Jensen and Tekulve confirmed "that we are responsible for the fair presentation of the interim financial information in conformity with accounting principles generally accepted in the United States of

America and Rule 10-01(a)-(c) of Regulation S-X." They further represented in this Management Representation Letter, among other things, that:

a. The interim financial information is presented in accordance with GAAP applicable to interim financial information applied on an basis substantially consistent with the same period in the prior year, the immediately preceding quarter and the prior fiscal year;

b. They had made available to SingerLewak all financial records and related data;

c. They had no knowledge of any fraud or suspected fraud affecting the Company involving management;

d. There are no material transactions that have not been properly recorded in the accounting records underlying the interim financial information;

e. The Company has complied with all aspects of contractual agreements that would have a material effect on the interim financial information in the event of noncompliance; and

f. No events or transactions other than those disclosed in the interim financial information have occurred subsequent to June 30, 2006 that would require adjustment to, or disclosure in, the interim financial information.

Each of these representations was false because recognition of revenue from the Opus Trust transaction did not comply with GAAP, and these revenues were material to Basin's year-to-date financial statements included in its second quarter financial statements.

31. At about noon Pacific Time on August 14, 2006, Jensen and Tekulve caused Basin to file with the Commission its quarterly report on Form 10-Q, for its second quarter 2006 ("Q2 2006") ended June 30, 2006. Jensen read the Form 10-

Q before it was filed, and Tekulve signed the Form 10-Q as Basin's CFO. Among other results, Basin's Form 10-Q reported system sales of $7,258,000 for the first six months of 2006 and total revenues of $8,666,000 for that period. These system sales and revenues included the $1,500,000 in revenue purportedly earned from a sale of systems to Opus Trust. Basin's Form 10-Q does not disclose that 17% of its purported revenues and 31% of its profits were derived from a purported sale to a single customer for which revenues were not in fact properly recognized.

32. On or about August 14, 2006, Jensen and Tekulve each certified, among other things, with regard to the Form 10-Q, that:

a. He had reviewed the Form 10-Q;

b. Based on his knowledge, the Form 10-Q did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading with respect to the period covered by the report;

c. Based on his knowledge, the financial statements, and other financial information included in the report fairly presented in all material respects the financial condition, results of operations and cash flows of Basin as of and for the periods presented in the report; and

d. He had disclosed to Basin's auditors and the audit committee of Basin's Board of Directors any fraud that involved company management.

These certifications were false in that the Form 10-Q contained material misrepresentations and omissions of material fact regarding Basin's year to date revenues, and did not fairly represent Basin's financial condition, and Jensen and Tekulve had not disclosed to either Basin's auditors or its audit committee their fraud in causing the improper revenue recognition.

33. At about 1:30 p.m. Pacific Time on August 14, 2006, Jensen and Tekulve participated on behalf of Basin in an analyst conference call, for which Tekulve had drafted the script that morning. Among other representations, Jensen stated that: "for the six months of 2006, revenues grew to $8.7 million compared to $2.9 million for the same period in 2005, a 200% increase." This statement was materially false and misleading because $1.5 million of the revenues, or 17%, were revenues that were improperly recognized pursuant to the transaction with Opus Trust. Jensen similarly falsely represented that "Gross profits for the six month period grew by 177% to 2.5 million compared to 0.9 million in the same period '05," when in fact gross profits for the period had only grown by 96% if the revenue improperly recognized from the Opus Trust transaction was excluded.

D. <u>The Defendants Materially Overstate Basin's Q3 2006 Revenues By Recognizing $451,000 On A Contingent Sale Of Systems Basin Never Shipped And Continue To Overstate Basin's Year-To-Date Results</u>

34. In 2005, James Sabzali ("Sabzali"), general manager of the chemical division of Thermax, Inc., contacted Jensen on behalf of Thermax. Sabzali told Jensen that Thermax had a client in Venezuela, PDVSA, for which Thermax was interested in purchasing Basin units. After protracted negotiations during which Jensen repeatedly pressed Sabzali for Thermax to send him a purchase order, on July 5, 2006, Sabzali sent an email to Jensen and others at Basin stating that PDVSA had verbally committed to buying a softening system from Thermax; that once Thermax received a purchase order and first partial payment from PDVSA which was expected in late August, it would issue a purchase order to Basin, which it expected to do in late September; and that it anticipated shipment by Basin would be needed in early January 2007. On July 7, 2006, Jensen forwarded the email to Tekulve, whom he had periodically informed regarding the negotiations with Thermax.

35. On August 18, 2006, Pat Kelly, Basin's head of manufacturing,

reminded Jensen in an email that, with regard to the potential order from Thermax, Basin had done no engineering work on modifying its units for ocean travel, that "At best all we would be able to accomplish in the way of revenue recognition in Q3, if an order came in Q3, would be parts delivery and some subassembly efforts."

36. Jensen repeatedly pressed Thermax for a purchase order, informing Sabzali that Basin needed the purchase order in September before the end of the quarter because it would be a significant component to Basin's quarterly reported financial information.

37. On or about September 12, 2006, Sabzali sent a memorandum on behalf of Thermax to Jensen "RE: Purchase Order for PDVSA Softening System," which set forth several "caveats" that would apply to the purchase order Thermax "will be sending Basin Water later this month." These caveats included that the purchase order from Thermax "is predicated on Thermax Inc. receiving a similar purchase order from PDVSA," and that if PDVSA failed to issue a purchase order to Thermax by November 30, Thermax's purchase order to Basin would be canceled.

38. Jensen was angered by the "caveat" that Thermax would have to receive a purchase order from PDVSA before issuing a purchase order to Basin; he therefore called Sabzali and told him this caveat was "unacceptable" and that such a purchase order is "absolutely not valid at all," and that he expected Thermax to send a purchase order without that contingency.

39. On September 28, 2006, Jensen received a purchase order from Thermax. The purchase order stated that it was subject to terms and conditions stated on Addendum "A." That Addendum, which Sabzali had put on a separate page at Jensen's request, contained the provision that the date of shipment and terms and conditions were "TBA," which Jensen understood meant "to be advised." Additionally, with respect to the terms and conditions, the purchase

order provided that it was "Agreed that the T&C to Basin will reflect the T&Cs on PDVSA's PO to Thermax Inc.," which Jensen understood to be similar, if not identical, to the prior purchase order he had rejected. Jensen nevertheless had no discussions and raised no concerns about the purchase order with anyone at Basin; nor did he further discuss this condition with Thermax.

40. Also on September 28, 2006, Tekulve received the Thermax purchase order including Addendum A, and forwarded it by email to Basin's controller, understanding that it was subject to the terms and conditions set forth in Addendum A.

41. On the morning of November 14, 2006, Tekulve caused Basin to issue its third quarter 2006 earnings release. Tekulve caused it to be filed with the Commission on Form 8-K and signed the filing. The headline on the press release stated in relevant part: "**Quarterly Revenues at $4.8 Million, Nine-Month Revenues Increase 75% from 2005 to $13.5 Million**" In the press release, it is represented that:

> For the third quarter of 2006, revenues of $4.8 million were a slight improvement over the third quarter of 2005. Meanwhile 2006 nine-month revenues increased by 75% to $13.5 million compared to $7.7 million for the first nine months of 2005. System sales revenues for the third quarter 2006 were $3.9 million compared to $4.2 million in the same period in 2005.

Jensen is also quoted in the press release. The above representations were false and misleading because they did not disclose that $451,000, or 9%, of the $4.8 million in third quarter revenue was revenue improperly recognized from the Thermax transaction, and that almost $2 million of the $13.5 million in revenues for the first nine months of 2006 was revenue that was improperly recognized from the Opus Trust and Thermax transactions ($1.5 million and $451,000 respectively).

42. Also on November 14, 2006, Jensen and Tekulve caused Basin to file

with the Commission its quarterly report on Form 10-Q, for its third quarter 2006 ("Q3 2006") ended September 30, 2006. Jensen read the Form 10-Q before it was filed, and Tekulve signed the Form 10-Q as Basin's CFO. Among other results, Basin's Form 10-Q reported quarterly system sales of $3,936,000 and total revenues of $4,846,000. These system sales and revenues included recognition of $451,000 in revenue purportedly earned from the sale of systems to Thermax which was not in fact properly recognized.

43. Additionally, the Form 10-Q reports $11,194,000 in system sales and $13,512,000 in total revenue for the first nine months of 2006. These systems sales and revenues included almost $2 million in revenues improperly recognized from the Opus Trust ($1.5 million) and Thermax ($451,000) transactions.

44. On or about November 14, 2006, Jensen and Tekulve each certified, among other things, with regard to the Form 10-Q, that:

a. He had reviewed the Form 10-Q;

b. Based on his knowledge, the Form 10-Q did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading with respect to the period covered by the report;

c. Based on his knowledge, the financial statements, and other financial information included in the report fairly presented in all material respects the financial condition, results of operations and cash flows of Basin as of and for the periods presented in the report; and

d. He had disclosed to Basin's auditors and the audit committee of Basin's Board of Directors any fraud that involved company management.

These certifications were false in that the Form 10-Q contained material

misrepresentations and omissions of material fact regarding Basin's quarterly revenues, and did not fairly represent Basin's financial condition, and Jensen and Tekulve had not disclosed to either Basin's auditors or its audit committee their fraud in causing the improper revenue recognition in connection with the Opus Trust and Thermax transactions.

45. At about 1:30 p.m. Pacific Time on November 14, 2006, Jensen and Tekulve participated on behalf of Basin in an analyst conference call, for which Tekulve had drafted the script that morning. They were joined by Michael Stark ("Stark"), who had just been appointed the new president and chief operating officer. Among other representations, Jensen represented that "our revenues of $4.8 million were a slight improvement over the prior quarter. Meanwhile, nine months 2006 revenues increased by 75% to $13.5 million compared to $7.7 million for the nine months of 2005." This statement was materially false and misleading because $1.5 million of the revenues and $451,000, totaling 13%, were revenues that were improperly recognized pursuant to the transactions with Opus Trust and Thermax, respectively.

46. Thermax never received a purchase order from PDVSA, and never made any payments to Basin, and Basin never in fact shipped any units to Thermax pursuant to the September 28, 2006, purchase order, notwithstanding that Jensen was responsible for keeping in contact with Thermax in order to obtain a shipping date from them. Nor did Basin attempt to collect from Thermax based on the purchase order.

E. <u>The Defendants Materially Overstate Basin's FY 2006 Revenues</u>

47. On the morning of March 29, 2007, Tekulve caused Basin to issue its Fiscal Year 2006 earnings release. Tekulve caused it to be filed with the Commission on Form 8-K and signed the filing. The headline on the press release stated in relevant part: "**Twelve Month Revenues Increase 40% from 2005 to $17.1 Million**" In the press release, it is represented that:

> For the year ended 2006, revenues increased by 40% to $17.1 million compared to $12.2 million for the year 2005. For the year, system sales revenues were $13.9 million, compared to $10.0 million in the same twelve-month period in 2005.

Jensen is quoted as saying, among other things, that "We have grown our revenues significantly this year." These statements were false and misleading in light of the fact that almost $2 million – a material portion – of the $17.1 million in revenues was improperly recognized as a result of the Opus Trust ($1.5 million) and Thermax ($451,000) transactions.

48. At about 1:30 Pacific Time on March 29, 2007, that same day, Jensen and Tekulve participated on behalf of Basin in an analyst conference call, together with Stark, for which call Tekulve had drafted the script that morning. Among other representations, Jensen represented that "For the full year 2006, revenues increased by 40% to 17.1 million in 2006 compared to $12.2 million in 2005." This statement was materially false and misleading because $1.5 million and $451,000, totaling 11% of Basin's FY 2006 revenue, were revenues that were improperly recognized pursuant to the transactions with Opus Trust and Thermax, respectively.

49. Jensen also stated in the earnings conference call that "On our sales for standard systems, we recorded revenues of $8 million with a gross margin of 3.5 million, a gross profit margin of 44%. This is in line with our typical margins." This statement was materially false and misleading because $1.5 million and $451,000, totaling 11% of Basin's FY 2006 systems revenue, were revenues that were improperly recognized pursuant to the transactions with Opus Trust and Thermax, respectively. Basin's annual system revenues were accordingly overstated by 16%.

50. On March 30, 2007, Jensen and Tekulve each signed a letter to SingerLewak, Basin's auditors. Jensen and Tekulve confirmed "that we are

responsible for the fair presentation of the interim financial information in conformity with accounting principles generally accepted in the United States of America and Rule 10-01(a)-(c) of Regulation S-X." They further represented in this Management Representation Letter, among other things, that:

a. The financial statements were fairly presented in conformity with GAAP;

b. They had made available to SingerLewak all financial records and related data;

c. They had no knowledge of any fraud or suspected fraud affecting the Company involving management;

d. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements;

e. The Company has complied with all aspects of contractual agreements that would have a material effect on the interim financial information in the event of noncompliance; and

f. The Company has properly recorded all revenue transactions in accordance with revenue recognition policies, including under the percentage-of-completion method.

51. Each of these representations was false because recognition of revenue from the Opus Trust and Thermax transactions did not comply with GAAP, the Thermax revenue, recognized under a percentage-of-completion method, was not recognized consistent with GAAP or Basin's own internal revenue recognition policy governing use of percentage-of-completion methodology, and these revenues were material to Basin's financial statements.

52. On April 2, 2007, Jensen and Tekulve caused Basin to file with the Commission its annual report on Form 10-K, for its fiscal year 2006 ("FY 2006") ended December 31, 2006. Jensen read the Form 10-K before it was filed, and

Jensen and Tekulve signed the Form 10-K.

53. Basin's FY 2006 Form 10-K reported system sales of $13,861,000 for the year and $17,114,000 in total revenues for the year. These system sales and total revenues included the $1,500,000 in revenue purportedly earned from a sale of systems to Opus Trust in Q1 and $451,000 in revenue purportedly earned from a sale to Thermax. Basin's Form 10-K does not disclose that 13% of its purported system sales and 11% of its revenues were derived from the sales to Opus Trust and Thermax, for which revenues were not in fact properly recognized.

54. On or about April 2, 2007, Jensen and Tekulve each certified, among other things, with regard to the Form 10-K, that:

a. He had reviewed the Form 10-K;

b. Based on his knowledge, the Form 10-K did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading with respect to the period covered by the report;

c. Based on his knowledge, the financial statements, and other financial information included in the report fairly presented in all material respects the financial condition, results of operations and cash flows of Basin as of and for the periods presented in the report; and

d. He had disclosed to Basin's auditors and the audit committee of Basin's Board of Directors any fraud that involved company management.

These certifications were false in that the Form 10-K contained material misrepresentations and omissions of material fact regarding Basin's quarterly revenues, and did not fairly represent Basin's financial condition, and Jensen and Tekulve had not disclosed to either Basin's auditors or its audit committee their

fraud in causing the improper revenue recognition in connection with the Opus Trust and Thermax transactions.

F. <u>The Defendants Materially Overstate Basin's Q2 2007 And Year-To-Date Revenues By Engaging In A Sham $3.8 Million Sale To A Special Purpose Entity They Directly Or Indirectly Cause To Be Created</u>

55. Initially, in most cases Basin was placing units on customer sites and signing long-term leases with those customers. In or about early 2007, Basin began to engage in transactions pursuant to which it recognized additional revenue by purporting to sell the systems rather than by leasing them. Tekulve was primarily responsible for carrying out Basin's plan.

56. Basin paid a consultant, Charles Litt, to obtain financial partners to facilitate purchase of units from Basin. Litt introduced Basin to CCH Netherlands and its related companies ("CCH"), and to Lloyd Ward ("Ward"), a Dallas, Texas attorney. Because CCH did not want to do a transaction with Basin in its own name, Ward created VL Capital, LLC. Tekulve was Ward's sole contact at Basin.

57. VL Capital, LLC ("VL Capital") was registered in Delaware as an LLC on June 29, 2007, one day before the end of Basin's Q2 2007 on June 30, 2007, and Ward was its Managing Member, and sole member. VL Capital was created to purchase units from Basin. It had no other business. Accordingly, it was a "special purpose entity" ("SPE"). Tekulve received the invoices from Ward relating to formation of VL Capital and drafting of documents relating to the agreements between Basin and VL Capital and VL Capital and CCH; Basin agreed to pay and paid these fees.

58. Jensen participated with Tekulve in internal Basin discussions about engaging in transactions with VL Capital, and was insistent that Tekulve ensure that revenue be recognized in the second quarter of 2007 pursuant to purported sales by Basin to VL Capital.

59. Just before the end of Basin's Q2 2007, Basin purportedly sold and

delivered ten operating treatment systems to VL Capital. Tekulve caused Basin to record $3.8 million in revenue from the sale of these systems, which revenue represented the majority of its quarterly revenues. Jensen was aware that revenue was recognized in Q2 2007 from the purported transaction with VL Capital.

60. Recognition of the $3.8 million in revenue was improper under GAAP for four reasons:

a. Basin did not have a definitive agreement with VL Capital in Q2 2007. Tekulve, who negotiated and/or drafted all agreements with VL Capital, knew this. Indeed, the purported arrangement between the parties changed several times. In a letter dated June 27, 2007, (the "VL Letter"), two days before VL Capital was even legally formed, VL Capital purported to advise Tekulve (who had in fact negotiated the terms of the letter) that it had approved the purchase of treatment systems from Basin, but that such purchase was subject to: (1) the negotiation and preparation of documentation acceptable to VL Capital and its counsel; (2) the nonoccurrence of any material adverse changes with respect to the financial or business condition of Basin or the parties to any water service agreement; and (3) the final acceptance of the financing terms by VL Capital and its lender. Tekulve signed this letter as "Acknowledged and Agreed" on or about June 28, 2007. Basin and VL did not in fact sign agreements until on or about September 14, 2007, and October 19, 2007, (the "VL Agreements"), which agreements were signed by Tekulve on behalf of Basin, namely the Security Agreement and Agreement to Sell & Purchase "dated as of September 14, 2007 and effective as of June 30, 2007"; the Escrow Agreement dated "as

of September 14 2007"; and the First Amendment to Escrow Agreement "made as of October 19, 2007." The terms of the agreements ultimately signed in fact did differ from the terms set forth in the VL Letter, as explained below.

b. Basin's sale to VL Capital had no economic substance as, under both the VL Letter and the subsequent VL Agreements, all negotiated by Tekulve, Basin essentially paid VL Capital to purchase the systems. Specifically:

(i) Under the VL Letter, VL Capital was to pay Basin the $5 million purchase price for the ten systems by making a $500,000 cash down payment at the April 1, 2008, closing and 72 monthly payments of $62,500 beginning April 1, 2008. The VL Letter, however, also provided that Basin assigned all of its rights to payments from its customers to VL Capital at $69,250 per month for 80 months beginning on July 1, 2007, resulting in Basin having paid $623,250 in nine monthly payments prior to the $500,000 down payment owed by VL Capital becoming due on April 1, 2008. Additionally, once VL Capital began making the monthly payments of $62,500 to Basin, Basin would nevertheless continue to pay VL Capital "for varying amounts, initially at $69,250 per month," which would result in a $6,750 monthly deficit to Basin;

(ii) Under the Agreement to Sell and Purchase, "made as of the 14th of September, 2007 and effective as of June 30, 2007," VL Capital was to pay Basin $56,250 per month (rather than $62,500) for 72 months beginning April 1, 2008, and, pursuant to the First Amendment to Escrow

Agreement, "made as of October 19, 2007," no later than "the Closing Date (as defined in the Purchase Agreement)," which date, September 7, 2007, had already passed, Basin itself was to round-trip its cash by depositing $189,000 into an escrow account as part of the $500,000 down payment, which VL Capital was purporting to pay to Basin. The escrow deposits of $189,000 and $311,000 were made on October 19, 2007 by Basin and VL Capital respectively.

c. The VL Letter contained the contingency that for the $500,000 down payment to become due from VL Capital, Basin had to obtain within 90 days from the date of closing written consent to the sale of the systems from each of the ten customers who had leased them; Basin in fact never satisfied this contingency, as Tekulve, who was responsible for obtaining the consents, only obtained four of them;

d. Collectability was not reasonably assured because VL Capital was a newly formed SPE with no operations, and absent each of Basin's customers making payments that Basin had assigned to VL Capital, VL Capital would have been unable in turn to make payments to Basin.

Because of these facts, revenue recognition did not comply with GAAP, including SAB 104 and ARB 43, which require that collectability be reasonably assured. Additionally, because Basin retained a majority of the risk from the transaction, VL Capital's financial statements should have been consolidated with Basin's financial statements under GAAP, specifically Financial Accounting Standards Board Interpretation No. 46 (revised December 2003) ("FIN46R").

61. Even though Basin was in fact financing the transaction with VL

Capital, as explained above, VL Capital entered into a purported agreement with CCH dated June 29, 2007, which described the "transaction structure" as: "[Basin] will sell the equipment used to perform the WSA [water services] agreements to VLC[apital] and VLC will purchase said equipment utilizing funding from CCH." Tekulve saw or was otherwise aware of this letter. The letter also stated that "The initial closing shall take place no later than June 30th 2007," the final day of Basin's second quarter. This letter was materially misleading, including to Basin's auditors, as Basin, not CCH, was financing the transaction through assignment by Basin of its rights to lease payments for nine months prior to VL Capital being required to pay Basin. Indeed, Tekulve understood that Basin, rather than CCH, was "obviously" financing at least the majority of the transaction with VL Capital.

62. On or about August 8, 2007, pursuant to a request by Basin's auditor, Basin's Director of Finance, Douglas Hansen ("Hansen"), prepared a memorandum, or "white paper," which, after being reviewed and approved by Tekulve, was provided to Basin's auditors and discussed with Basin's Audit Committee on or about August 9, 2007, and which purported to justify recognition of revenue based on the June 27, 2007, VL Letter signed by Tekulve on June 28. The memorandum was materially misleading in part because it failed to disclose that VL Capital was an SPE with no operations which Basin caused to be created for the sole purpose of creating purported revenues. The memorandum was also materially misleading because it failed to explain the timing of the respective payments by Basin and VL Capital to each other, which resulted in Basin effectively financing the transaction. Specifically, the memorandum does not explain that Basin would be making payments commencing immediately, on July 1, 2007, which payments totaled a greater amount than the $500,000 down payment payable by VL Capital to Basin on April 1, 2008. Additionally, the memorandum misleadingly states that "collectability is reasonably assured" because VL Capital had "already placed $500,000 in escrow" "as of" June 30,

2007, when in fact no monies had yet been deposited into escrow. Indeed, when monies were subsequently deposited on October 19, 2007, pursuant to the VL Agreements rather than the VL Letter, $189,000 of the funds were deposited by Basin itself, rather than VL Capital.

63. On August 13, 2007, Tekulve signed a letter to SingerLewak, Basin's auditors. Tekulve confirmed "that we are responsible for the fair presentation of the interim financial information in conformity with accounting principles generally accepted in the United States of America and Rule 10-01(a)-(c) of Regulation S-X." He further represented in this Management Representation Letter, among other things, that:

a. The interim financial information is presented in accordance with GAAP applicable to interim financial information applied on an basis substantially consistent with the same period in the prior year, the immediately preceding quarter and the prior fiscal year;

b. He had made available to SingerLewak all financial records and related data;

c. He had no knowledge of any fraud or suspected fraud affecting the Company involving management;

d. There are no material transactions that have not been properly recorded in the accounting records underlying the interim financial information;

e. The Company has complied with all aspects of contractual agreements that would have a material effect on the interim financial information in the event of noncompliance;

f. He had responded fully to all inquiries made by the auditors;

g. He confirmed that "the transaction with VL Capital on June 28, 2007 for the sale of 10 water treatment units is recorded in the

proper period and the valuation of the transaction is proper in accordance with [GAAP]"; and

h. No events or transactions other than those disclosed in the interim financial information have occurred subsequent to June 30, 2007, that would require adjustment to, or disclosure in, the interim financial information.

Each of these representations was false because recognition of revenue from the VL Capital transaction did not comply with GAAP, and these revenues were material to Basin's financial statements.

64. Late on the evening of August 13, 2007, Tekulve caused Basin to issue its Q2 2007 earnings release for release the next day. Tekulve caused it to be filed August 14, 2007, with the Commission on Form 8-K and signed the filing. The headline on the press release stated in part: "**Quarterly Revenues at $6.4 Million**" In the press release, it is represented that:

> For the second quarter of 2007, revenues of $6.4 million increased $1.4 million when compared to revenues of $5.0 million in the second quarter of 2006, a 28% increase. System sales revenues were $5.2 million for the second quarter of 2007, compared to $4.2 million in the same period in 2006. As anticipated, the increase in system sales revenue this quarter was due primarily to a third party financing arrangement whereby Basin Water sold 10 water treatment systems of various capacities which had previously been placed with customers.

The release also reported that six month results included revenues of $8 million. All of these representations were materially false and misleading as the $3.8 million in revenue recognized from the VL Capital transaction was not, in fact, the result of a "third party financing arrangement" and had no economic substance.

65. On or about August 14, 2007, Tekulve also caused Basin to file with the Commission its quarterly report on Form 10-Q, for its second quarter 2007

("Q2 2007") ended June 30, 2007. Jensen read the Form 10-Q before it was filed, and Tekulve signed the Form 10-Q as Basin's CFO. Among other results, Basin's Form 10-Q reported system sales of $5,199,000 and total revenues of $6,414,000. These system sales and revenues included the $3.8 million in revenue purportedly earned from the sale of systems to VL Capital. In describing Basin's revenues, the Form 10-Q states that:

> Revenues from system sales increased $1.0 million, or 24%, in the second quarter of 2007 when compared to the same period in 2006. This was due to the previously announced third party financing arrangement whereby we sold 10 water treatment systems of various capacities for $3.8 million which had previously been placed with customers.

This statement is false and misleading as the "third party" to which Basin claims to have sold the systems was in fact an SPE created solely for making the purchase of these systems and substantially increasing Basin's quarterly revenues, and the "financing" was in fact provided by Basin.

66. On or about August 14, 2007, Jensen and Tekulve each certified, among other things, with regard to the Form 10-Q, that:

a. He had reviewed the Form 10-Q;

b. Based on his knowledge, the Form 10-Q did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading with respect to the period covered by the report;

c. Based on his knowledge, the financial statements, and other financial information included in the report fairly presented in all material respects the financial condition, results of operations and cash flows of Basin as of and for the periods

presented in the report; and

d. He had disclosed to Basin's auditors and the audit committee of Basin's Board of Directors any fraud that involved company management.

These certifications were false in that the Form 10-Q contained material misrepresentations and omissions of material fact regarding Basin's quarterly revenues, and did not fairly represent Basin's financial condition, and Jensen and Tekulve had not disclosed to either Basin's auditors or its audit committee their fraud in causing the improper revenue recognition.

67. At about 1:30 p.m. Pacific Time on August 14, 2007, Jensen and Tekulve participated on behalf of Basin in an analyst conference call, together with Stark, for which call Tekulve had drafted the script the previous day. Among other representations, Basin's officers represented that Basin had "third party financed" thirteen systems, including "today's 10," and that "there is a total of 10 systems that were sold." This representation, which was misleading because the "third party financing" was in fact provided by Basin itself, was not corrected by either Jensen or Tekulve to disclose the material facts surrounding the purported sales to VL Capital, or that the revenue from these purported sales was, in fact, improperly recognized.

G. <u>The Defendants Materially Overstate Basin's Q3 2007 And Year-To-Date Revenues By Engaging In A Sham $2.1 Million Sale To Another Special Purpose Entity They Caused To Be Created</u>

68. Water Services Solutions, LLC ("WSS") was registered as an LLC on September 27, 2007, three days before the end of Basin's Q3 2007 on September 30, 2007. Ward was its Managing Member, and sole member. Like VL Capital, WSS was created solely to purchase units from Basin. It had no other business. Accordingly, like VL Capital, it was an SPE.

69. Seventeen days before it was legally formed, on September 10, 2007,

WSS transmitted a letter to Tekulve signed by Ward, which proposed that WSS purchase systems then being manufactured by Basin for lease to the City of Cottonwood for $4.4 million less the present value of expected costs of insurance and property taxes related to the purchase (the "WSS Letter"). Tekulve signed the WSS Letter as "acceptable and agreed to" on or about September 24, 2007.

70. Tekulve caused Basin to recognize $2.1 million in revenue in Q3 2007 relating to the purported sale of the units to WSS based on the "percentage of completion method" for recognizing revenue. Recognition of this revenue was improper, however, because:

a. Basin did not have a definitive agreement with WSS, as required by the WSS letter, such agreement (the WSS Agreement") not being prepared and signed by Tekulve until the end of the next quarter, December 2007, and being made "as of December 27, 2007 and effective as of September 24, 2007"; additionally, the WSS Agreement contained materially different terms, such as a lower purchase price of $3,845,073, and payment of the $25,000 down payment at the December 27, 2007, closing date;

b. WSS had not made the initial down payment of $25,000 required by the WSS Letter "to be held in escrow pending execution of definitive documentation" and in fact, never paid it;

c. Collectability was not probable in that WSS had no assets and was dependent on a $2.1 million loan from a third party, National City Energy Capital, LLC based in Cincinnati, Ohio, and the initial closing date of the loan was December 31, 2007, as set forth in the September 28, 2007, correspondence from National City to WSS which Tekulve received that same day;

that loan was never finalized or funded as National City "walked away" from the transaction in the summer of 2008, as Tekulve was aware; and

d. Delivery by Basin of the systems, which were being manufactured, had not occurred.

71. On or about October 31, 2007, pursuant to a request by Basin's auditor, Basin's Director of Finance, Hansen, prepared a memorandum, or "white paper," which, after being reviewed and approved by Tekulve on or about November 1, was provided to Basin's auditors. The memorandum purported to justify recognition of revenue based on the September 10, 2007, WSS Letter signed by Tekulve on September 24. The memorandum was materially misleading in part because it failed to disclose that WSS was an SPE with no operations which Basin caused to be created for the sole purpose of creating purported revenues. Additionally, the memorandum misleadingly states that "collectability is reasonably assured" because WSS "is backed by National City, a large Chicago bank," when National City was, in fact, National City Energy Capital LLC, based in Cincinnati, Ohio; and because the $25,000 deposit had been made into an escrow account when in fact no such deposit had been made. In fact, as stated above, the National City financing and $25,000 escrow deposit never occurred.

72. On November 13, 2007, Tekulve signed a letter to SingerLewak, Basin's auditors. Tekulve confirmed "that we are responsible for the fair presentation of the interim financial information in conformity with accounting principles generally accepted in the United States of America and Rule 10-01(a)-(c) of Regulation S-X." He further represented in this Management Representation Letter, among other things, that:

a. The interim financial information is presented in accordance with GAAP applicable to interim financial information applied on an basis substantially consistent with the same period in the

prior year, the immediately preceding quarter and the prior fiscal year;

b. He had made available to SingerLewak all financial records and related data;

c. He had no knowledge of any fraud or suspected fraud affecting the Company involving management;

d. There are no material transactions that have not been properly recorded in the accounting records underlying the interim financial information;

e. The Company has complied with all aspects of contractual agreements that would have a material effect on the interim financial information in the event of noncompliance;

f. He had responded fully to all inquiries made by the auditors;

g. He confirmed that "the transaction with Water Services Solutions, LLC (WSS) on September 24, 2007 of [sic] water treatment units is recorded in the proper period and the valuation of the transaction is proper in accordance with [GAAP]"; and

h. No events or transactions other than those disclosed in the interim financial information have occurred subsequent to September 30, 2007, that would require adjustment to, or disclosure in, the interim financial information.

Each of these representations was false because recognition of revenue from the WSS transaction did not comply with GAAP, and these revenues were material to Basin's financial statements.

73. On or about November 13, 2007, Tekulve caused Basin to file with the Commission its quarterly report on Form 10-Q, for its third quarter 2007 ("Q3 2007") ended September 30, 2007. Jensen read the Form 10-Q before it was filed,

and Tekulve signed the Form 10-Q as Basin's CFO. Among other results, Basin's Form 10-Q reported system sales of $3,773,000 and total revenues of $5,346,000. These system sales and revenues included the $2.1 million in revenue purportedly earned from the sale of systems to WSS, resulting in material overstatements of Basin's system sales and total revenues of 104% and 56% respectively. Additionally, the Form 10-Q reports for the nine months ended September 30, 2007, $9,901,000 in system sales and $13,367,000 in total revenues, which revenues include both the $3.8 million in revenue purportedly earned from the sale of systems to VL Capital, and the $2.1 million in revenue from the purported sales to WSS, totaling $5.9 million or 60% of Basin's year-to-date system sales and 45% of its total revenues.

74. On or about November 13, 2007, Jensen and Tekulve each certified, among other things, with regard to the Form 10-Q, that:

a. He had reviewed the Form 10-Q;

b. Based on his knowledge, the Form 10-Q did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading with respect to the period covered by the report;

c. Based on his knowledge, the financial statements, and other financial information included in the report fairly presented in all material respects the financial condition, results of operations and cash flows of Basin as of and for the periods presented in the report; and

d. He had disclosed to Basin's auditors and the audit committee of Basin's Board of Directors any fraud that involved company management.

These certifications were false in that the Form 10-Q contained material

misrepresentations and omissions of material fact regarding Basin's quarterly revenues, and did not fairly represent Basin's financial condition, and Jensen and Tekulve had not disclosed to either Basin's auditors or its audit committee their fraud in causing the improper revenue recognition.

75. On the morning of November 14, 2007, Tekulve caused Basin to issue its Q3 2007 earnings release. Tekulve caused it to be filed with the Commission that day on Form 8-K and signed the filing. The headline on the press release stated in part: "**Quarterly Revenues Increase 10% to $5.3 Million Over Prior Quarter**" In the press release, it is represented that:

> For the third quarter of 2007, revenues of $5.3 million increased $0.5 million when compared to revenues of $4.8 million in the third quarter of 2006, a 10% increase. System sales revenues were $3.8 million. . .

The release also reported that nine month results included revenues of $13.4 million. All of these representations were materially false and misleading as the $5.3 million in quarterly revenue included $2.1 million recognized from the WSS transaction, and the $13.4 million year-to-date revenue included both the $2.1 million in revenue from the WSS transaction and the $3.8 million from the VL Capital transaction, none of which was properly recognized.

76. At about 1:30 p.m. Pacific Time on November 14, 2007, Jensen and Tekulve participated on behalf of Basin in an analyst conference call, together with Stark, for which call Tekulve had drafted the script earlier that day, making changes together with Jensen and Stark. During this call, in response to an analyst's question as to whether all of Basin's $3.8 million in systems sales were all "new" revenues or "do we have any of those third party financings we had in the last quarter?", Tekulve represented that "there is a single third party financing but that's on a new sale. It simply was a lease arrangement that we third party financed." This representation, was materially false and misleading because it did not disclose that over half of the systems revenue, $2.1 million, constituted that

"single third party financing"; that the financing had not in fact yet occurred; the transaction had not been finalized; and revenue should not in fact have been recognized on it. Nor did Tekulve disclose that the transaction was with a "third party," WSS, which was in fact an SPE created by Basin for no other purpose than to purchase the Cottonwood systems to boost Basin's revenue.

H. Tekulve Materially Overstates Basin's FY 2007 Revenues

77. On or about December 26, 2007, five days before the end of Basin's fiscal year, Tekulve initiated documentation of two additional purported sales to SPEs, one with VL Capital and one with WSS. Although, as he noted in his calendar on December 28, 2007, Tekulve found it to be "a pain," he further noted "but we need the revenues."

78. Tekulve caused Basin to enter into an agreement with WSS "as of the 26th day of December 2007 and effective as of the same date" which purported to sell an existing system to WSS for $1,353,079. Tekulve signed this agreement on behalf of Basin.

79. Tekulve also caused Basin to enter into an agreement with VL Capital "as of the 31st day of December 2007 and on [sic] that same date" which purported to sell an existing system to VL Capital for $763,330. Tekulve signed this agreement on behalf of Basin.

80. Tekulve caused Basin to recognize the full amount of revenue of $1,353,079 on the second WSS agreement and $489,000 on the second VL Capital agreement, purporting to use the "percentage of completion" method for recognizing revenue, recognizing a total of $1,842,079 in revenue.

81. Recognition of revenue on these purported sales was improper for several reasons. First, delivery had not occurred, and services had not been rendered. Second, collectability was not reasonably assured as the payment terms only required small down payments of $5,000 by WSS and $10,000 by VL Capital into an escrow or trust account respectively, which payment was conditioned on

customer acceptance of the systems; larger payments of $561,606 by WSS and $30,568 by VL Capital after customer acceptance; and a long-term loan by Basin for the balance (ten year repayment by WSS with no payment due for the first five years, and no payment due at all if the lessee purchased the system within five years; and nine year repayment by VL Capital). This final provision meant that Basin was round-tripping its own cash to pay for the revenues that Tekulve wrote in his calendar "we need."

82. On March 17, 2008, Tekulve signed a letter to SingerLewak, Basin's auditors. Tekulve confirmed "that we [Basin management] are responsible for the fair presentation of the interim financial information in conformity with accounting principles generally accepted in the United States of America." He further represented in this Management Representation Letter, among other things, that:

a. The financial statements were fairly presented in conformity with GAAP;

b. He had made available to SingerLewak all financial records and related data;

c. He had no knowledge of any fraud or suspected fraud affecting the Company involving management;

d. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements;

e. The Company has complied with all aspects of contractual agreements that would have a material effect on the interim financial information in the event of noncompliance; and

f. The Company has properly recorded all revenue transactions in accordance with revenue recognition policies, including under the percentage-of-completion method.

Each of these representations was false because recognition of revenue from the

two WSS and two VL Capital transactions did not comply with GAAP, and these revenues were material to Basin's financial statements.

83. At or about 1:01 p.m. on March 17, 2008, Tekulve caused Basin to issue its FY 2007 earnings release. Tekulve caused it to be filed with the Commission that day on Form 8-K and signed the filing. The headline on the press release stated in part: "**Twelve Month Revenues Increase 10% to $18.8 Million**" In the press release, it is represented that:

> For the year ended 2007, revenues increased by 10% to $18.8 million compared to $17.1 million for the year 2006. For the year, system sales revenues were $13.5 million. . . .
>
> For the fourth quarter of 2007, revenues of $5.4 million were approximately 50% higher than our revenues for the fourth quarter of 2006. For the fourth quarter of 2007, system sales revenues were $3.6 million. . . .

All of these representations were materially false and misleading as (1) the quarterly revenue included the $1,353,079 in revenue recognized on the second WSS agreement and the $489,000 recognized on the second VL Capital agreement, purporting to use the "percentage of completion" method for recognizing revenue – a total of $1,842,079 in revenue; and (2) the annual revenue included both the improperly recognized $1,842,079 in fourth quarter revenues, but also $2.1 million in revenue from the third quarter WSS transaction and the $3.8 million from the second VL Capital transaction, none of which was properly recognized. These $7.7 million in revenues were material, constituting 42% of Basin's reported annual revenue.

84. Also on March 17, 2008, Tekulve caused Basin to file with the Commission its annual report on Form 10-K, for its fiscal year 2007 ("FY 2007") ended December 31, 2007. Tekulve signed the Form 10-K as Basin's CFO. Basin's FY 2007 Form 10-K reported total revenues of $18,784,000, and system

sales of $13,477,000. Although the Form 10-K does disclose that VL Capital and WSS accounted for 26% and 14% of those revenues respectively, it does not disclose that VL Capital and WSS were SPEs created by Basin for the sole purpose of Basin "selling" them systems on which it would then recognize revenue, and that Basin itself was "lending" its own monies to these entities in order to purchase that revenue. The Form 10-K further failed to disclose that none of the revenues purportedly received from transactions with VL Capital and WSS were properly recognized.

85. On or about March 17, 2008, Tekulve certified, among other things, with regard to the Form 10-K, that:

a. He had reviewed the Form 10-K;

b. Based on his knowledge, the Form 10-K did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading with respect to the period covered by the report;

c. Based on his knowledge, the financial statements, and other financial information included in the report fairly presented in all material respects the financial condition, results of operations and cash flows of Basin as of and for the periods presented in the report; and

d. He had disclosed to Basin's auditors and the audit committee of Basin's Board of Directors any fraud that involved company management.

These certifications were false in that the Form 10-K contained material misrepresentations and omissions of material fact regarding Basin's quarterly and annual revenues, and did not fairly represent Basin's financial condition, and Tekulve had not disclosed to either Basin's auditors or its audit committee his and

Jensen's fraud in causing the improper revenue recognition in connection with the SPE transactions.

86. At about 1:30 p.m. Pacific Time on March 17, 2008, Tekulve and Stark participated on behalf of Basin in an analyst conference call, for which Tekulve had edited the script earlier that day. Among other representations, Tekulve represented that "Our annual revenues were $18.8 million, an increase of $1.7 million or 10% growth over the prior year. . . . We also achieved nearly similar levels of system sales as we did in 2006." This statement was materially false and misleading because it failed to disclose that 42% of Basin's annual revenues, and 58% of its system sales, were improperly recognized pursuant to the transactions with the SPEs. Moreover, when an analyst asked "who is VL Capital? And then, who is Water Services Solutions? Are those metropolitans or municipalities?" the analyst was told VL Capital was "a financing group," and regarding VL Capital and WSS, "They're the owners of the assets," when in fact, the purported transactions with VL and WSS were financed by Basin itself, and VL Capital and WSS in fact did not own the assets. Finally, when asked about "The issuance of $3.4 million of notes receivable? What was that in connection with?", Tekulve responded "That was actually in connection with the V LC transaction. It was a combination – the sale to V LC was a combination of cash and a long term note receivable," without explaining that the transactions with VL Capital in fact had no economic substance and revenue should not have been recognized from them.

I. <u>Defendant Jensen Engages In Insider Trading, Gaining And Realizing Over $9.1 Million From Selling Basin Stock And Taking Charitable Tax Deductions Of $763,345, And Fails To Reimburse Basin For His Realized Profits</u>

87. Defendant Jensen sold Basin stock on the basis of material nonpublic information about the true financial condition of Basin described in detail above, in

breach of a duty of trust or confidence that he owed directly, indirectly, or derivatively, to Basin and its shareholders by reason of his position as CEO, Chairman of the Board and/or member of the Board when he became aware of the material nonpublic information, through brokerage accounts he controlled in his own name at Charles Schwab & Co., Inc. ("CS"), and in his and his wife's names jointly with right of survivorship at Cannacord Adams, Inc. ("CA") and Albert Fried & Company, LLC ("AF"), gaining and realizing profits as set forth below; as well as donating shares of Basin stock to his *alma mater*, MIT, and taking charitable tax deductions, also set forth below:

Jensen's Sales and Charitable Contributions of Basin Stock

Date	Sale or Contri-bution	Number of Shares	Price	Profit	Account	Tax Deduction
6/26/06	*Q1 2006 Form 10-Q filed including improper Opus Trust revenue*					
11/14/06	*Q3 2006 Form 10-Q filed including improper Thermax revenue*					
12/12/06	Sale	50,000	$6.41	$320,500	CA	
12/29/06	Gift	5,000				$35,000
2006 TOTAL		**55,000**		**$320,500**		**$35,000**
2/20/07	Sale	57,281	$8.00	$458,248	CA	
2/21/07	Sale	42,719	$8.00	$341,752	CA	
4/2/07	*2006 Form 10-K filed including improper Opus Trust and Thermax Revenue*					
7/2/07	Sale	15,400	$9.00	$138,605	CA	
7/3/07	Sale	14,951	$9.01	$134,655	CA	
7/5/07	Sale	69,649	$9.03	$628,930	CA	
7/16/07	Sale	32,110	$10.00	$321,177	CA	
7/17/07	Sale	7,890	$10.00	$78,900	CA	

Date	Sale or Contri-bution	Number of Shares	Price	Profit	Account	Tax Deduction
7/19/07	Sale	40,000	$12.72	$508,800	CA	
8/14/07	*Q2 2007 Form 10-Q filed including improper VL revenue*					
10/25/07	Gift	85,000				$371,803
11/14/07	*Q3 2007 Form 10-Q filed including improper WSS revenue*					
2007 TOTAL		**365,000**		**$2,611,067**		**$371,803**
3/17/08	*2007 Form 10-K filed including improper VL and WSS revenue*					
4/10/08	Gift	200,000				$356,542
5/15/08	Sale	78,129	$5.01	$391,426	CA	
5/16/08	Sale	2,607	$5.00	$13,035	CA	
5/20/08	Sale	169,264	$5.00	$846,320	CA	
6/10/08	Sale	1,092	$4.20	$4,586	CS	
6/11/08	Sale	23,908	$4.20	$100,414	CS	
6/13/08	Sale	4,100	$4.25	$17,425	CS	
6/16/08	Sale	20,900	$4.25	$88,825	CS	
6/20/08	Sale	20,000	$4.39	$87,800	CS	
6/24/08	Sale	2,696	$4.50	$12,132	CS	
6/26/08	Sale	3,968	$4.50	$17,856	CS	
7/2/08	Sale	13,336	$4.50	$60,161	CS	
7/10/08	Sale	30,000	$4.43	$132,900	AF	
7/11/08	Sale	30,000	$4.32	$129,600	AF	
7/14/08	Sale	88,000	$4.34	$381,920	AF	
7/15/08	Sale	500	$4.21	$2,105	AF	
7/17/08	Sale	5,000	$4.24	$21,200	AF	
7/18/08	Sale	693	$4.20	$2,911	AF	

Date	Sale or Contri-bution	Number of Shares	Price	Profit	Account	Tax Deduction
7/21/08	Sale	81,500	$4.21	$343,115	AF	
7/23/08	Sale	500	$4.20	$2,100	AF	
7/28/08	Sale	4,000	$4.00	$16,000	AF	
7/29/08	Sale	5,100	$3.94	$20,094	AF	
7/30/08	Sale	6,000	$3.89	$23,340	AF	
7/31/08	Sale	15,000	$3.82	$57,300	AF	
8/1/08	Sale	12,000	$3.86	$46,320	AF	
8/4/08	Sale	9,300	$3.77	$35,061	AF	
8/6/08	Sale	20,850	$3.75	$78,188	AF	
8/7/08	Sale	882,500	$3.75	$3,309,375	AF	
2008 TOTAL		**1,530,943**		**$6,241,508**		**$356,542**
GRAND TOTAL		**1,950,943**		**$9,173,075**		**$763,345**

88. Jensen has not reimbursed Basin for any of the profits realized from these sales and gifts of Basin securities.

J. <u>Basin Announces It Intends To Restate Its Financial Statements For Each Of The Relevant Periods, And Its Stock Price Collapses</u>

89. On August 11, 2008, four days after Jensen made his final sale on the basis of material nonpublic information, profiting by over $3.3 million on that sale alone, Basin issued a press release, announcing that Basin believed "that it may be necessary to restate previously issued financial statements for certain periods as a result of the Company's revenue recognition relating to certain specific transactions." Basin also announced that it would not timely file its report on Form 10-Q for the quarter ending June 30, 2008. Basin further announced that it no longer believed that it would achieve analysts' revenue estimates and did not

intend to provide any further revenue guidance for the year. On August 11, 2008, Basin also filed its report on Form 8-K regarding the August 11 press release and its contents and attaching a copy of it as an exhibit.

90. On August 11, 2008, Basin's stock price closed at $2.36 per share, down from the previous day's close of $3.62, a 35% decline.

91. On February 10, 2009, Basin filed a restatement on Form 10-K/A ("Restatement") with the Commission. The Restatement amended the annual report on Form 10-K for the year ended December 31, 2007, filed with the Commission on March 17, 2008. The Restatement also included amended and restated consolidated financial statements and related financial information for the years ended December 31, 2006 and 2007, including the financial results in each of the quarterly periods in 2006 and 2007. The Restatement contained a list of "significant determinations" including conclusions that

a. Basin improperly recognized $1.5 million in revenues with respect to the Opus Trust transaction in Q1 2006. Instead, Basin should have recognized the down payment, "$0.2 million," that it received in Q2 2006 "when the transaction documentation was completed and executed" and "the remaining $1.3 million as revenues upon collection."

b. Basin improperly recognized revenues with respect to the Thermax transaction because there was no shipping date for the units purportedly sold, no shipping date ever specified, and the units were never shipped. Basin conceded that Thermax claimed a right of return but also stated that Basin disputed that claim. Basin reversed the revenues "in the amount of $0.1 million and $0.6 million in 2007 and 2006, respectively."

c. Basin improperly recognized revenues in the VL Capital and WSS and transactions because "the financial statements of VLC

and WSS should be consolidated with those of the Company in accordance with FIN 46(R). This analysis is based on the fact that the structure of the transactions with VLC and WSS did not effectively transfer sufficient risk to the other parties to the transactions, leaving the Company with the majority of the risks. In addition, in the transactions with WSS, the contract conditions of the transactions were not fulfilled. As a result, the Company incorrectly recognized revenues from these transactions." Although Basin correctly concluded that the VL Capital and WSS transactions should not have been reflected in the financial statements under FIN 46R, the transactions should not have been reported as revenue for the reasons set forth above before even reaching an analysis of FIN 46R.

On February 10, 2009, Basin's stock price closed at $0.96, up one cent from the previous day's close.

FIRST CLAIM FOR RELIEF

Fraud In The Offer Or Sale Of Securities

Violations of Section 17(a) of the Securities Act

(Against All Defendants)

92. The Commission realleges and incorporates by reference paragraphs 1 through 91 above.

93. The Defendants, by engaging in the conduct described above, directly or indirectly, in the offer or sale of securities by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails:

a. with scienter, employed devices, schemes, or artifices to defraud;

b. obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in

order to make the statements made, in light of the circumstances under which they were made, not misleading; or

c. engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

94. By engaging in the conduct described above, the Defendants violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

SECOND CLAIM FOR RELIEF

Fraud In Connection With The Purchase Or Sale Of Securities

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

(Against All Defendants, Both As Primary Violators And As Control Persons)

95. The Commission realleges and incorporates by reference paragraphs 1 through 91 above.

96. The Defendants and Basin, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, with scienter:

a. employed devices, schemes, or artifices to defraud;

b. made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

97. By engaging in the conduct described above, the defendants violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §

240.10b-5.

98. The Defendants were control persons of Basin because each possessed, directly or indirectly, the power to direct or cause the direction of the management and policies of Basin. Accordingly, pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), each Defendant is liable to the Commission same extent as Basin would be.

THIRD CLAIM FOR RELIEF

Issuer Reporting Violations

Section 13(a) of the Exchange Act,

and Rules 12b-20, 13a-1 and 13a-13 thereunder

(Against All Defendants, Both As Aiders And Abettors

And As Control Persons)

99. The Commission realleges and incorporates by reference paragraphs 1 through 91 above.

100. Basin violated Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1 and 13a-13 thereunder, 17 C.F.R. §§ 240.12b-20, 240.13a-1 & 240.13a-13, by filing with the Commission required periodic reports for the first through third quarters of its fiscal years 2006 and 2007, and annual reports for its fiscal years 2006 and 2007 which failed to include material information necessary to make the required statements, in light of the circumstances under which they were made, not misleading.

101. The Defendants knowingly provided substantial assistance to Basin's violation of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder.

102. By engaging in the conduct described above and pursuant to Section 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), the Defendants aided and abetted Basin's violations, and unless restrained and enjoined will continue to aid and abet violations, of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules

12b-20, 13a-1 and 13a-13 thereunder, 17 C.F.R. §§ 240.12b-20, 240.13a-1 & 240.13a-13.

103. The Defendants were control persons of Basin because each possessed, directly or indirectly, the power to direct or cause the direction of the management and policies of Basin. Accordingly, pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), each Defendant is liable to the Commission same extent as Basin would be.

<u>FOURTH CLAIM FOR RELIEF</u>

<u>Record-Keeping Violations</u>

Violations of Section 13(b)(5) of the Exchange Act and Rule 13b2-1 thereunder

(Against All Defendants)

104. The Commission realleges and incorporates by reference paragraphs 1 through 91 above.

105. By engaging in the conduct described above, the Defendants violated, and unless restrained and enjoined will continue to violate, Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), by knowingly falsifying books, records and accounts issuers are required to make and keep, in reasonable detail, accurately and fairly reflecting the issuer's transactions and dispositions of its assets; and Exchange Act Rule 13b2-1, 17 C.F.R. § 240.13b2-1, by, directly or indirectly, falsifying or causing to be falsified issuer books, records, and accounts.

<u>FIFTH CLAIM FOR RELIEF</u>

<u>Misrepresentations To Accountants</u>

Violations of Exchange Act Rule 13b2-2

(Against Defendant Tekulve)

106. The Commission realleges and incorporates by reference paragraphs 1 through 91 above.

107. Defendant Tekulve, by engaging in the conduct described above,

directly or indirectly:

a. made or caused to be made materially false or misleading statements to accountants in connection with; or

b. omitted to state, or caused another person to omit to state, material facts necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading, to accountants in connection with:

i. an audit, review or examination of the financial statements of the issuer required to be made; or

ii. the preparation or filing of a document or report required to be filed with the Commission.

108. By engaging in the conduct described above, defendant Tekulve violated, and unless restrained and enjoined will continue to violate, Exchange Act Rule 13b2-2, 17 C.F.R. § 240.13b2-2.

<u>SIXTH CLAIM FOR RELIEF</u>

<u>False Certification Violations</u>

Violations of Exchange Act Rule 13a-14

(Against All Defendants)

109. The Commission realleges and incorporates by reference paragraphs 1 through 91 above.

110. The Defendants, by engaging in the conduct described above, falsely certified, among other things, that Basin's 2006 and 2007 Forms 10-Q and 10-K fully complied with the requirements of the Exchange Act and fairly presented, in all material respects, the financial condition and results of operations of the company, when, in fact, the reports contained untrue statements of material fact and omitted material information necessary to make the reports not misleading.

111. By engaging in the conduct described above, the Defendants violated, and unless restrained and enjoined will continue to violate, Exchange Act Rule

13a-14, 17 C.F.R. § 240.13a-14.

SEVENTH CLAIM FOR RELIEF

Failure To Reimburse

Violations of Section 304 of the Sarbanes-Oxley Act of 2002

(Against All Defendants)

112. The Commission realleges and incorporates by reference paragraphs 1 through 91 above.

113. The Defendants, by engaging in the conduct described above, failed to reimburse the issuer, Basin, for any bonus or other incentive based or equity-based compensation received by them from Basin during the twelve-month period following each of the public filings of the Forms 10-K and 10-Q alleged herein, which filings required restatement due to the material noncompliance of Basin, as a result of misconduct, with financial reporting requirements under the securities laws.

114. Defendant Jensen, by engaging in the conduct described above, failed to reimburse the issuer, Basin, for any profits realized from the sale of Basin securities during the twelve-month period following each of the public filings of the Forms 10-K and 10-Q alleged herein, which filings required restatement due to the material noncompliance of Basin, as a result of misconduct, with financial reporting requirements under the securities laws.

115. By engaging in the conduct described above, the Defendants violated Section 304(a)(1) of the Sarbanes-Oxley Act, 15 U.S.C. § 7243(a)(1), and defendant Jensen violated Section 304(a)(2) of the Sarbanes-Oxley Act, 15 U.S.C. § 7243(a)(2).

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that Defendants committed the alleged violations.

II.

Issue a judgment, in a form consistent with Fed. R. Civ. P. 65(d), permanently enjoining Defendants Jensen and Tekulve and their agents, servants, employees and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, from violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Sections 10(b) and 13(b)(5) of the Exchange Act, 15 U.S.C. §§ 78j(b) & 78m(b)(5), and Rules 10b-5, 13a-14 and 13b2-1 thereunder, 17 C.F.R. §§ 240.10b-5, 240.13a-14 & 240.13b2-1, and from aiding and abetting any violation of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1 and 13a-13 thereunder, 17 C.F.R. §§ 240.12b-20, 240.13a-1 & 240.13a-13, and further permanently enjoining Tekulve and his agents, servants, employees and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, from violating Exchange Act Rule 13b2-2, 17 C.F.R. § 240.13b2-2.

III.

Order defendants Jensen and Tekulve to disgorge all ill-gotten gains from their illegal conduct, together with prejudgment interest thereon.

IV.

Order defendants Jensen and Tekulve to pay civil penalties under Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

V.

Order defendant Jensen to pay civil penalties for insider trading under Section 21A(a) of the Exchange Act, 15 U.S.C. § 78u-1(a).

VI.

Order defendants Jensen and Tekulve to pay reimbursement of all bonus or other incentive-based or equity-based compensation received by them from Basin

during the twelve-month period following each of the public filings of the Forms 10-K and 10-Q alleged herein.

VII.

Order defendant Jensen to pay reimbursement of all profits realized from the sale of Basin securities during the twelve-month period following each of the public filings of the Forms 10-K and 10-Q alleged herein.

VIII.

Enter an order against defendants Jensen and Tekulve pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e), and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2), prohibiting each of them from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

IX.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

X.

Grant such other and further relief as this Court may determine to be just and necessary.

DATED: June 24, 2011

KAREN MATTESON
Attorney for Plaintiff
Securities and Exchange Commission

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

NOTICE OF ASSIGNMENT TO UNITED STATES MAGISTRATE JUDGE FOR DISCOVERY

This case has been assigned to District Judge Manuel Real and the assigned discovery Magistrate Judge is Alicia G. Rosenberg.

The case number on all documents filed with the Court should read as follows:

CV11- 5316 R (AGRx)

Pursuant to General Order 05-07 of the United States District Court for the Central District of California, the Magistrate Judge has been designated to hear discovery related motions.

Unless otherwise ordered, the United States District Judge assigned to this case will hear and determine all discovery related motions.

NOTICE TO COUNSEL

A copy of this notice must be served with the summons and complaint on all defendants (if a removal action is filed, a copy of this notice must be served on all plaintiffs).

Subsequent documents must be filed at the following location:

[X] **Western Division**
312 N. Spring St., Rm. G-8
Los Angeles, CA 90012

[ ] **Southern Division**
411 West Fourth St., Rm. 1-053
Santa Ana, CA 92701-4516

[ ] **Eastern Division**
3470 Twelfth St., Rm. 134
Riverside, CA 92501

Failure to file at the proper location will result in your documents being returned to you.

Karen Matteson, Cal. Bar No. 102103
Email: mattesonk@sec.gov
Roberto A. Tercero, Cal. Bar No. 143760
Email: terceror@sec.gov
Securities and Exchange Commission
5670 Wilshire Boulevard, 11th Floor
Los Angeles, California 90036
Telephone: (323) 965-3998 / Facsimile: (323) 965-3908

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION PLAINTIFF(S) v. PETER L. JENSEN AND THOMAS C. TEKULVE, JR. DEFENDANT(S).	CASE NUMBER CV11-05316 R(AGRx) **SUMMONS**

TO: DEFENDANT(S): ______________________________

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it), you must serve on the plaintiff an answer to the attached ☑ complaint ☐ ____________ amended complaint ☐ counterclaim ☐ cross-claim or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff's attorney, Karen Matteson / Roberto A. Tercero, whose address is SEC, 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California 90036. If you fail to do so, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

Clerk, U.S. District Court

Dated: JUN 24 2011

By: ______________________
Deputy Clerk

(Seal of the Court)

[Use 60 days if the defendant is the United States or a United States agency, or is an officer or employee of the United States. Allowed 60 days by Rule 12(a)(3)].

Karen Matteson, Cal. Bar No. 102103
Email: mattesonk@sec.gov
Roberto A. Tercero, Cal. Bar No. 143760
Email: terceror@sec.gov
Securities and Exchange Commission
5670 Wilshire Boulevard, 11th Floor
Los Angeles, California 90036
Telephone: (323) 965-3998 / Facsimile: (323) 965-3908

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION PLAINTIFF(S) v. PETER L. JENSEN AND THOMAS C. TEKULVE, JR. DEFENDANT(S).	CASE NUMBER CV11-05316 R(AGRx) **SUMMONS**

TO: DEFENDANT(S): ____________________

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it), you must serve on the plaintiff an answer to the attached ☑ complaint ☐ __________ amended complaint ☐ counterclaim ☐ cross-claim or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff's attorney, Karen Matteson / Roberto A. Tercero, whose address is SEC, 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California 90036. If you fail to do so, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

Dated: JUN 24 2011

Clerk, U.S. District Court
JULIE PRADO
SEAL
By: ____________________
Deputy Clerk

(Seal of the Court)

[Use 60 days if the defendant is the United States or a United States agency, or is an officer or employee of the United States. Allowed 60 days by Rule 12(a)(3)].

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA

CIVIL COVER SHEET

I (a) PLAINTIFFS (Check box if you are representing yourself ☐)
SECURITIES AND EXCHANGE COMMISSION

DEFENDANTS
PETER L. JENSEN AND THOMAS C. TEKULVE, JR.

(b) Attorneys (Firm Name, Address and Telephone Number. If you are representing yourself, provide same.)

Karen Matteson / Roberto A. Tercero (323) 965-3998
Securities and Exchange Commission
5670 Wilshire Boulevard, 11th Floor, Los Angeles, CA 90036

Attorneys (If Known)

Please see attachment.

II. BASIS OF JURISDICTION (Place an X in one box only.)

☑ 1 U.S. Government Plaintiff
☐ 3 Federal Question (U.S. Government Not a Party)
☐ 2 U.S. Government Defendant
☐ 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES - For Diversity Cases Only
(Place an X in one box for plaintiff and one for defendant.)

	PTF	DEF		PTF	DEF
Citizen of This State	☐ 1	☐ 1	Incorporated or Principal Place of Business in this State	☐ 4	☐ 4
Citizen of Another State	☐ 2	☐ 2	Incorporated and Principal Place of Business in Another State	☐ 5	☐ 5
Citizen or Subject of a Foreign Country	☐ 3	☐ 3	Foreign Nation	☐ 6	☐ 6

IV. ORIGIN (Place an X in one box only.)

☑ 1 Original Proceeding
☐ 2 Removed from State Court
☐ 3 Remanded from Appellate Court
☐ 4 Reinstated or Reopened
☐ 5 Transferred from another district (specify):
☐ 6 Multi-District Litigation
☐ 7 Appeal to District Judge from Magistrate Judge

V. REQUESTED IN COMPLAINT: JURY DEMAND: ☐ Yes ☑ No (Check 'Yes' only if demanded in complaint.)

CLASS ACTION under F.R.C.P. 23: ☐ Yes ☑ No

☐ **MONEY DEMANDED IN COMPLAINT: $**__________

VI. CAUSE OF ACTION (Cite the U.S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.)
The Complaint alleges violations of the federal securities laws.15 U.S.C.§§77t(b),77t(d)(1) & 77v(a); 15 U.S.C. §§78(u)(d)(1),78u(d)(3)(A), & 78u(e),78u-1(a)(1)(A)

VII. NATURE OF SUIT (Place an X in one box only.)

OTHER STATUTES
- ☐ 400 State Reapportionment
- ☐ 410 Antitrust
- ☐ 430 Banks and Banking
- ☐ 450 Commerce/ICC Rates/etc.
- ☐ 460 Deportation
- ☐ 470 Racketeer Influenced and Corrupt Organizations
- ☐ 480 Consumer Credit
- ☐ 490 Cable/Sat TV
- ☐ 810 Selective Service
- ☑ 850 Securities/Commodities/ Exchange
- ☐ 875 Customer Challenge 12 USC 3410
- ☐ 890 Other Statutory Actions
- ☐ 891 Agricultural Act
- ☐ 892 Economic Stabilization Act
- ☐ 893 Environmental Matters
- ☐ 894 Energy Allocation Act
- ☐ 895 Freedom of Info. Act
- ☐ 900 Appeal of Fee Determination Under Equal Access to Justice
- ☐ 950 Constitutionality of State Statutes

CONTRACT
- ☐ 110 Insurance
- ☐ 120 Marine
- ☐ 130 Miller Act
- ☐ 140 Negotiable Instrument
- ☐ 150 Recovery of Overpayment & Enforcement of Judgment
- ☐ 151 Medicare Act
- ☐ 152 Recovery of Defaulted Student Loan (Excl. Veterans)
- ☐ 153 Recovery of Overpayment of Veteran's Benefits
- ☐ 160 Stockholders' Suits
- ☐ 190 Other Contract
- ☐ 195 Contract Product Liability
- ☐ 196 Franchise

REAL PROPERTY
- ☐ 210 Land Condemnation
- ☐ 220 Foreclosure
- ☐ 230 Rent Lease & Ejectment
- ☐ 240 Torts to Land
- ☐ 245 Tort Product Liability
- ☐ 290 All Other Real Property

TORTS
PERSONAL INJURY
- ☐ 310 Airplane
- ☐ 315 Airplane Product Liability
- ☐ 320 Assault, Libel & Slander
- ☐ 330 Fed. Employers' Liability
- ☐ 340 Marine
- ☐ 345 Marine Product Liability
- ☐ 350 Motor Vehicle
- ☐ 355 Motor Vehicle Product Liability
- ☐ 360 Other Personal Injury
- ☐ 362 Personal Injury-Med Malpractice
- ☐ 365 Personal Injury-Product Liability
- ☐ 368 Asbestos Personal Injury Product Liability

IMMIGRATION
- ☐ 462 Naturalization Application
- ☐ 463 Habeas Corpus-Alien Detainee
- ☐ 465 Other Immigration Actions

TORTS PERSONAL PROPERTY
- ☐ 370 Other Fraud
- ☐ 371 Truth in Lending
- ☐ 380 Other Personal Property Damage
- ☐ 385 Property Damage Product Liability

BANKRUPTCY
- ☐ 422 Appeal 28 USC 158
- ☐ 423 Withdrawal 28 USC 157

CIVIL RIGHTS
- ☐ 441 Voting
- ☐ 442 Employment
- ☐ 443 Housing/Accommodations
- ☐ 444 Welfare
- ☐ 445 American with Disabilities - Employment
- ☐ 446 American with Disabilities - Other
- ☐ 440 Other Civil Rights

PRISONER PETITIONS
- ☐ 510 Motions to Vacate Sentence Habeas Corpus
- ☐ 530 General
- ☐ 535 Death Penalty
- ☐ 540 Mandamus/ Other
- ☐ 550 Civil Rights
- ☐ 555 Prison Condition

FORFEITURE / PENALTY
- ☐ 610 Agriculture
- ☐ 620 Other Food & Drug
- ☐ 625 Drug Related Seizure of Property 21 USC 881
- ☐ 630 Liquor Laws
- ☐ 640 R.R. & Truck
- ☐ 650 Airline Regs
- ☐ 660 Occupational Safety /Health
- ☐ 690 Other

LABOR
- ☐ 710 Fair Labor Standards Act
- ☐ 720 Labor/Mgmt. Relations
- ☐ 730 Labor/Mgmt. Reporting & Disclosure Act
- ☐ 740 Railway Labor Act
- ☐ 790 Other Labor Litigation
- ☐ 791 Empl. Ret. Inc. Security Act

PROPERTY RIGHTS
- ☐ 820 Copyrights
- ☐ 830 Patent
- ☐ 840 Trademark

SOCIAL SECURITY
- ☐ 861 HIA (1395ff)
- ☐ 862 Black Lung (923)
- ☐ 863 DIWC/DIWW (405(g))
- ☐ 864 SSID Title XVI
- ☐ 865 RSI (405(g))

FEDERAL TAX SUITS
- ☐ 870 Taxes (U.S. Plaintiff or Defendant)
- ☐ 871 IRS-Third Party 26 USC 7609

FOR OFFICE USE ONLY: Case Number: CV11-05316

AFTER COMPLETING THE FRONT SIDE OF FORM CV-71, COMPLETE THE INFORMATION REQUESTED BELOW.

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEET

VIII(a). IDENTICAL CASES: Has this action been previously filed in this court and dismissed, remanded or closed? ☑ No ☐ Yes
If yes, list case number(s): ______

VIII(b). RELATED CASES: Have any cases been previously filed in this court that are related to the present case? ☑ No ☐ Yes
If yes, list case number(s): ______

Civil cases are deemed related if a previously filed case and the present case:
(Check all boxes that apply) ☐ A. Arise from the same or closely related transactions, happenings, or events; or
☐ B. Call for determination of the same or substantially related or similar questions of law and fact; or
☐ C. For other reasons would entail substantial duplication of labor if heard by different judges; or
☐ D. Involve the same patent, trademark or copyright, and one of the factors identified above in a, b or c also is present.

IX. VENUE: (When completing the following information, use an additional sheet if necessary.)

(a) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named plaintiff resides.
☑ Check here if the government, its agencies or employees is a named plaintiff. If this box is checked, go to item (b).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
LA	

(b) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named defendant resides.
☐ Check here if the government, its agencies or employees is a named defendant. If this box is checked, go to item (c).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Thomas C. Tekulve, Jr.-Orange County	Peter L. Jensen-San Diego County

(c) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** claim arose.
Note: In land condemnation cases, use the location of the tract of land involved.

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
San Bernardino County	

*** Los Angeles, Orange, San Bernardino, Riverside, Ventura, Santa Barbara, or San Luis Obispo Counties**
Note: In land condemnation cases, use the location of the tract of land involved

X. SIGNATURE OF ATTORNEY (OR PRO PER): [signature] **Date** June 24, 2011

Notice to Counsel/Parties: The CV-71 (JS-44) Civil Cover Sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law. This form, approved by the Judicial Conference of the United States in September 1974, is required pursuant to Local Rule 3-1 is not filed but is used by the Clerk of the Court for the purpose of statistics, venue and initiating the civil docket sheet. (For more detailed instructions, see separate instructions sheet.)

Key to Statistical codes relating to Social Security Cases:

Nature of Suit Code	Abbreviation	Substantive Statement of Cause of Action
861	HIA	All claims for health insurance benefits (Medicare) under Title 18, Part A, of the Social Security Act, as amended. Also, include claims by hospitals, skilled nursing facilities, etc., for certification as providers of services under the program. (42 U.S.C. 1935FF(b))
862	BL	All claims for "Black Lung" benefits under Title 4, Part B, of the Federal Coal Mine Health and Safety Act of 1969. (30 U.S.C. 923)
863	DIWC	All claims filed by insured workers for disability insurance benefits under Title 2 of the Social Security Act, as amended; plus all claims filed for child's insurance benefits based on disability. (42 U.S.C. 405(g))
863	DIWW	All claims filed for widows or widowers insurance benefits based on disability under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405(g))
864	SSID	All claims for supplemental security income payments based upon disability filed under Title 16 of the Social Security Act, as amended.
865	RSI	All claims for retirement (old age) and survivors benefits under Title 2 of the Social Security Act, as amended. (42 U.S.C. (g))

Counsel Information for *SEC v. Peter L. Jensen and Thomas C. Tekulve, Jr.*

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